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AUDIT REPORT

Follow-up to recommendations of the report of the Board of Auditors (A/53/5/Add.10)

Report of the Executive Director

I. PURPOSE

1. The information contained in the annex to the present report responds to decision 97/23 of 18 September 1997, in which the Executive Board, inter alia, requested the Executive Director of the United Nations Office for Project Services (UNOPS) "to provide the Executive Board, at its annual session 1998, with an updated overview of the implementation of the recommendations of the Board of Auditors and an updated time table indicating when follow-up action will have been completed in the areas that need to be addressed". In its decision 98/17 of 19 June 1998, the Board took note of the comments made by the Executive Director contained in document DP/1998/25 on follow-up to recommendations of the report of the United Nations Board of Auditors (A/51/5/Add.10).

2. The annex to the present report contains an overview of the implementation of the recommendations of the report of the United Nations Board of Auditors for the biennium ended 31 December 1997 (A/53/5/Add.10). The Executive Director is pleased to report that efforts to address all issues continue.

II. EXECUTIVE BOARD ACTION

3. The Executive Board may wish to:

(a) Take note of the present report (DP/1999/24);

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(b) Request the Executive Director to provide the Executive Board, at its annual session 2000, with an updated overview of the implementation of the recommendations of the Board of Auditors, including follow-up action completed.

Annex

Procurement

Recommendation 1 (Para. 9(a))

UNOPS should finalize its handbook on procurement procedures as a matter of priority (para. 25).

Subject to appropriate revision and amplification, the chapter of the UNOPS handbook relating to procurement procedures has been finalized. In addition, a chapter establishing the role of the portfolio manager with respect to procurement activities has been introduced.

Recommendation 2 (Para. 9(b))

UNOPS should ensure that procurement plans are drawn up for each project, detailing items to be purchased and indicating a likely timetable for action (para. 29).

In order to facilitate effective, timely actions and reduce the overall costs of procurement, UNOPS staff have been advised to ensure that appropriate procurement plans are developed on a timely basis in all cases. The UNOPS Director of Operations will continue to monitor compliance with this directive.

Recommendation 3 (Para. 9(c))

Where requisitions are prepared by procurement staff they should be approved by project managers prior to processing and this approval should be formally evidenced (para. 31).

The need to ensure that requisitions are appropriately approved prior to processing and that the entire procurement process is fully documented have again been drawn to the attention of UNOPS staff concerned. UNOPS policy in this regard is set forth in the UNOPS handbook (particularly in chapters 3 and 9).

Recommendation 4 (Para. 9(d))

All Field Officers should be reminded of the importance of completing the Receipt and Inspection reports (para. 33).

While recognizing that UNOPS is not always in a position to ensure the completion of Receipt and Inspection Reports, UNOPS staff have been advised that every effort must be made to do so. Furthermore, staff have been directed to obtain and document alternative confirmation of satisfactory delivery in those instances where Receipt and Inspection Reports cannot be secured.

Evaluation of international consultants and appraisal of staff

Recommendation 5 (Para. 9(e))

The international consultant evaluation form should be revised to encourage a more rigorous evaluation of the final output against measurable objectives and targets in the terms of reference; and that field offices be reminded to complete evaluations of Special Service Agreement (SSA) assignments (para. 50).

By 1 May 1999, UNOPS will issue new instructions relating to the use of SSAs. In addition, a revised evaluation form will permit UNOPS to capture better the quality of outputs as they refer to the original terms of reference. The guidelines will provide clear instructions requiring the completion of the evaluation forms for all staff.

Recommendation 6 (Para. 9(f))

UNOPS should ensure that there is a complete, up-to-date, annual appraisal for every member of staff and that a central record be maintained of the staff appraisals (para. 62).

UNOPS has revised its 1999 performance evaluation form to incorporate elements critical to the pursuit of staff development activities. UNOPS is committed to conducting the appraisal exercise electronically so as to improve monitoring of compliance and to maintain more accurate central records. The 1999 performance evaluation process guidelines reiterate the need for the forms to be completed for all staff; the results will be closely monitored.

Financial reporting

Recommendation 7 (Para. 9(g))

UNOPS should identify the shortcomings of the present financial reports, establish the key information required, and decide on the form and frequency of the reports (para. 72).

UNOPS is currently operating at a peak level of effort to implement Release 3 of the Integrated Management Information System (IMIS), which is replacing the previous general ledger system. Basic reporting on 1999 financial activities will remain limited until IMIS is in full production, the systems and interfaces that feed IMIS transaction information from the field are in place, and the backlog of 1999 data has been liquidated. At present, it is expected that normal reporting will be possible from mid-1999. Improved reporting tools are now being installed that will complement the reporting functionality available in IMIS. As indicated last year, however, a full suite of reporting systems is not expected to be in place until 2001.

Year 2000 compliance

Recommendation 8 (Para. 9(h))

UNOPS should ensure that all systems are tested for year 2000 compliance, with sufficient lead time to address any deficiencies (para. 79).

The Year 2000 (Y2K) Manager has been in place since October 1998 although some of the Y2K effort has been redirected to the IMIS implementation. There is now a full-time effort, complemented with consultants and contractors, to remedy and test non-IMIS systems, with the principal emphasis being given to mission-critical headquarters systems. While UNOPS is likely to be vulnerable to disruptions resulting from non-Y2K compliant systems in the business environment, those devices and systems under UNOPS control are expected to have been tested and remediated by the end of 1999.

Recommendation 9 (Para. 9(i))

UNOPS should liaise with UNDP to ascertain to what extent it had assessed the impact of the year 2000 issue for the interface with UNDP systems (para. 80).

UNOPS is in regular contact with UNDP on this and related issues.

Reporting fraud

Recommendation 10 (Para. 9(j))

UNOPS should establish a process for recording and reporting fraud (para. 81).

While UNOPS has historically reported cases of fraud and presumptive fraud to the Board of Auditors, procedures have been established and implemented to facilitate further the gathering, recording and reporting of such cases.